

Members

Sen. Joseph Zakas, Chair
Sen. Lindel Hume
Sen. Larry Lutz
Sen. Charles Meeks
Sen. Frank Mrvan
Sen. John Waterman
Rep. Gary Cook, Vice-Chair
Rep. Dennis Avery
Rep. Jack Lutz
Rep. Ed Mahern
Rep. Richard Mangus
Rep. Matt Whetstone



INTERIM STUDY COMMITTEE ON STATE ADMINISTRATION ISSUES

LSA Staff:

Chuck Mayfield, Fiscal Analyst for the Committee
Robert Rudolph, Attorney for the Committee
Susan Cullen, Attorney for the Committee

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Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 232-9855 Fax: (317) 232-2554

MEETING MINUTES¹

Meeting Date: October 11, 2000
Meeting Time: 10:42 A.M.
Meeting Place: State House, 200 W. Washington St.,
Room 125
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Sen. Joseph Zakas, Chair; Sen. Charles Meeks; Sen. Lindel Hume;
Sen. Frank Mrvan; Sen. Larry Lutz; Rep. Dennis Avery; Rep. Ed
Mahern; Rep. Jack Lutz; Rep. Richard Mangus; Rep. Matt
Whetstone.

Sen. Zakas, Chair of the Committee, called the meeting to order. He then requested that committee discussion include suggestions for the final report of the committee since one meeting remains before the deadline.

Hiring Practices, Salary Structure, and Other Employment Practices of State Agencies

The Chair called on Dan Novreske, Deputy Director of the State Budget Agency, to discuss the compensation policy for state employees' accumulated sick and vacation leave. The state currently compensates employees for accumulated vacation leave of up to 30 days when the employee leaves state service. In 1999 the state created the Retiree Flexible Spending Program (Appendix A) to compensate retiring employees for unused vacation, sick, and personal leave up to a maximum of \$5,000. Mr. Novreske stated that the primary drawback to the program was the \$5,000 maximum on compensated leave that could be used only for health insurance. The Department of Personnel and the Budget Agency have looked at possible improvements of the benefits. Mr. Novreske discussed a new program (Appendix B) they have developed. Employees would be able to convert unused vacation days in excess of 30 days and sick days in excess of 30 days to a deferred fund, a 401(a) qualified plan. The employee could later use the funds to pay for health insurance or other qualified expenditures. The current value of the state's aggregated accumulated

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leave liability is about \$177 million. Mr. Novreske stated that the value of accumulated sick and vacation days over 30 days is about \$75 million. If employees with over 30 sick days and 30 vacation days converted 10 unused days annually, the cost of the program would be about \$2.5 million annually. Many of the details of the plan remain to be worked out. An outline, Appendix C, of possible legislation was provided. Mr. Novreske said that the first item repeal of IC 5-1-12 should be deleted from the outline. He stated that the cost of the plan might be offset by possible reductions in overtime if it creates an incentive to accumulate sick and vacation days.

Rep. Lutz asked if the \$177 million was a real cost or a “soft” cost. Mr. Novreske replied that the \$177 million is the total value of accumulated leave. In some cases when an employee is absent another employee must work overtime to provide service, e.g., correctional institutions. In other cases the employee might not be replaced.

The Chair next called on David Larson of the Indiana State Employees Association for comments. Mr. Larson stated that the Pension Management Oversight Committee is also considering the issue. He supported the concept, but questioned why employees must sell back the days at a discount of 50%. He also inquired if the days had to be sold back the same year they were earned.

The Chair said that the committee could consider endorsing the concept, but it would be difficult to draft legislation by the next meeting.

Rep. Mangus asked about the state’s overtime rule. Currently the normal work week is 37.5 hours. Eligible employees receive time and a half for time worked over 40 hours. The 2.5 hours between 37.5 hours and 40 hours are paid at straight time. Keith Beesley, Department of Personnel, explained the history of the 37.5 workweek. Mr. Beesley also stated that the 40-hour requirement is consistent with the Federal Fair Labor Standards Act.

The Chair asked if there were other issues to discuss. Rep. Whetstone said that at the last committee meeting a representative of the State Board of Accounts Employee Association questioned the salary difference between the Board of Accounts auditors and Department of Financial Institutions auditors. The Chair called on Al Marshall of the State Board of Accounts Employee Association to review the issue. Mr. Marshall said that historically, auditors of the State Board of Accounts, Department of Revenue, and Department of Financial Institutions were paid the same wage. The Department of Financial Institutions auditors are currently paid about 30% more than Board of Account auditors. Mr. Marshall stated that this is a matter of equity, equal pay for equal work. The Chair called on Sue Roberson, Director of Department of Personnel to respond. Ms. Roberson stated that the jobs are different. The difference in salary is due to market factors. The market value of bank auditors is higher than the market value for the State Board of Accounts auditors.

The Chair called on Tracy Austin, former state employee, to testify. Ms. Austin explained that she had formerly been a corrections employee. An incident occurred in a prison last year concerning a missing weapon. She went over the details of the investigation that resulted in her suspension, (Appendix D) without pay a year ago. She said no wrongdoing was found on her part, but she was never recalled from suspension. Since she was in the first six months of employment, the appeal process was not available to her. The Chair asked Ms. Roberson to review the case.

Aviation Investment and Reform Act for the 21st Century (AIR-21)

The Chair distributed a resolution (Appendix E) stating that the Indiana General Assembly should commit the necessary resources to enable the citizens of the state of Indiana to reap full benefits of the Wendell H. Ford Aviation Investment and Reform Act of the 21st Century(AIR 21). The Chair then called on Bart Giesler of the Aviation Association of Indiana to comment on the resolution. Mr. Giesler stated the resolution addressed his association's two main concerns, 1) providing resources to match the federal grant and 2) providing resources to administer the local grants.

Sen. Meeks asked if the term "commit the necessary resources" should be defined or clarified. Mr. Giesler responded that the resources depended on the federal budget and the exact figures are not known at the present time.

The resolution was moved and seconded. All members present voted in favor of the resolution.

Predatory Lending

The Chair called on Tom Dinwiddie to explain the memorandum (Appendix F) he prepared on Indiana's predatory lending statutes. Mr. Dinwiddie stated that his memorandum discussed six statutes dealing with predatory lending. Some statutes overlap but most deal with fraud or deceit. The statutes allow several agencies to assess penalties. The Chair asked if the penalties were sufficient or if they should be increased. Mr. Dinwiddie said there has been little or no enforcement of predatory lending, so it is difficult to judge.

Robert Rudolph, attorney for the committee, distributed a list of the criminal statutes, Appendix J, that predatory lending might violate. Mr. Rudolph stated that other statutes might apply depending on the specific case.

The Chair said one finding might be: The committee finds that predatory lending occurs in the State of Indiana, that the extent of predatory lending is uncertain, that it is rarely prosecuted, and that it is difficult to define, and may be regulated by the Secretary of State, the Attorney General, the Professional Licensing Agency, the Department of Insurance, and the Department of Financial Institutions.

Louie Mahern, Executive Director of the Consumer Finance Association, suggested the topic be fraud in connection with mortgage lending. Predatory lending is undefined, but fraud is a defined term.

Rep. Mahern distributed possible legislation, Appendix G, to create a Mortgage Fraud Unit in the Attorney General's Office. The committee discussed possible changes in the bill draft.

Sen. Meeks asked if the Attorney General's office was the proper place for the unit or if it should be assigned to the State Police White Collar Crime Unit.

Continuing Education Requirements

The Chair went over possible findings of the committee:

- The committee finds that the continuing education requirements required by six of the twelve professions regulated by the Professional Licensing Agency appear to be supported by those professions, that continuing education is useful for maintaining professional standards, and that no profession supported an increase or decrease in the number of hours required.

- The committee finds that the Professional Licensing Agency is actively supporting the development of distance learning opportunities in the state of Indiana.

Mr. Rudolph distributed a bill draft (Appendix H) on continuing education. The first section dealt with allowing continuing education units to be earned by distance learning. The three remaining sections dealt with funeral directors' licenses. The bill would create a senior status license and eliminate the requirement that a funeral director who is out of the profession for four years must retake the examination.

The Chair requested the bill draft be split into two drafts, one dealing with continuing education and the other dealing with funeral directors.

Rep. Avery distributed a bill draft, Appendix I, changing the license renewal period for occupations regulated by the Professional Standards Board to four-year licenses. Currently, the validity of the licenses varies from one to four years, Rep. Avery stated that the change could reduce administrative costs.

The Chair adjourned the meeting at 12:50.

The final meeting will be held October 24, 2000 at 10:30 a.m. in Room 125.